

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

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April 6, 2004

FROM: **DAVID H. SLAUGHTER**, Director
Real Estate Services Department

**SUBJECT: DECLARE COUNTY OWNED PROPERTY SURPLUS AND AUTHORIZE ITS
 SALE**

RECOMMENDATIONS:

1. Declare the property located on Central Avenue, west of Tippecanoe Avenue (APNs 0136-351-01 and 10), a vacant parcel of approximately 44 acres in the City of San Bernardino, is no longer necessary and is surplus to the needs of the County.
2. Approve the Contract of Sale and Escrow Instructions, Promissory Note Secured by Deed of Trust, and Long Form Deed of Trust and Assignment of Rents, in connection with the sale of said property.
3. Authorize the Chairman to execute said offer and the deed to convey said property to the Inland Valley Development Agency (IVDA) upon payment of the purchase price based on \$1.20 per square foot times the number of square feet of property to be determined by a survey and estimated at \$2,320,000. (Four votes required)
4. Authorize the Director of the Real Estate Services Department (RES D) to execute escrow instructions and any other documents necessary to complete this transaction.
5. Find that the sale of said property is exempt from the California Environmental Quality Act (CEQA).
6. Approve the Notice of Exemption and direct the Clerk of the Board to post said notice as required by law.

BACKGROUND INFORMATION: The County purchased 78 acres of land and buildings from the Aerospace Corporation in 1973. The buildings housed the County's Environmental Public Works Agency until 1982 when the structures and 34 of the 78 acres were sold to the U.S. Government. The remaining vacant land of approximately 44 acres (APNs 0136-351-01 and 10) located on Central Avenue, west of Tippecanoe Avenue, are still owned by the County.

IVDA, a joint Powers Authority, the members of which include the County of San Bernardino and the cities of Colton, Loma Linda and San Bernardino, was established to oversee the development of the former Norton Air Force Base, now called the San Bernardino International Airport and Trade Center. On September 24, 2001, IVDA wrote to the County Administrative Office and requested the County consider declaring the 44 Acres as surplus and making a direct sale of that land to IVDA. On February 20, 2002, IVDA reiterated its desire to acquire the 44 Acres in a second letter. IVDA believes that larger parcels, such as the 44 Acres, are critical to its ability to attract businesses that need 500,000 to 1,000,000 square foot buildings. There are few parcels remaining on the former base that can accommodate structures of this size.

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On September 10, 2002, RESD requested direction from the Board regarding the disposition of the property. The Board directed staff to proceed with a public auction of the property and to return with a bid package, to include certain conditions of purchase, and an updated appraisal.

On June 17, 2003, staff presented the Board a bid package, which established a minimum bid based on an updated appraisal and which set forth conditions with respect to the use and timeliness of development of the 44 Acres that would be imposed on a purchaser of the property. After further consideration, the Board decided to make a direct sale to IVDA and directed RESD to obtain a new appraisal, negotiate directly with IVDA, and bring back to the Board the proposed terms of the sale.

A new appraisal was received on July 25, 2003, which established a value of \$2,320,000. The negotiations which followed have been protracted because of IVDA's need to borrow the funds necessary to complete the transaction and, ultimately, IVDA's decision to request the County to accept a down payment and a promissory note as payment of the purchase price. In addition, and in connection with IVDA's need to borrow funds, IVDA intends to sell the property to Hillwood, the master developer of land held by IVDA, concurrent with its purchase from the County. The sale will be made subject to the note and the deed of trust in favor of the County.

The County, as a result of the sale to IVDA, and IVDA, as a result of the sale to Hillwood, are each required to comply with CEQA. Each sale transaction is subject to a 35-day CEQA legal challenge period. With respect to the County sale to IVDA, the finding is that the sale qualifies for a Categorical Exemption from CEQA in accordance with Section 15312 of the CEQA Guidelines.

A Notice of Exemption will be filed the day following approval by the Board of the recommendations set forth above. The transaction will close, as set forth in the Contract of Sale and Escrow Instructions, not later than five business days following the 35-day CEQA legal challenge period. The terms of the sale are summarized as follows:

Purchaser:	Inland Valley Development Agency (IVDA)
Land to be sold:	Approximately 44 acres
Price:	\$1.20 per square foot times the number of square feet of property to be determined by a survey and estimated at \$2,320,000.
Close of escrow :	Within five business days following the 35-day CEQA legal challenge period, which commences following Board approval of this transaction.
Terms:	Cash down payment: 25% of the price, estimated at \$ 580,000 Note: 75% of the price, estimated at \$1,740,000
Note maturity:	Four years from the date of the close of escrow of this transaction. County has the right to call for payment in full upon six-months written notice.

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- Note payments: Semi-annual interest payments at the rate of 6% per annum on the outstanding principal balance. Four equal annual payments of principal on the anniversary date of the Note.
- Security: Deed of Trust covering the entire 44 Acres to be recorded upon the close of escrow.
- Partial reconveyance: One partial reconveyance is available to IVDA for not greater than 50% of the total land area, with not more than 50% of the frontage along Central Avenue, and with a payment of 120% of the base price per square foot (\$1.20) of the land area to be reconveyed to include the down payment and any payments made to the principal amount of the Note.

REVIEW AND APPROVAL BY OTHERS: This item has been reviewed by County Counsel (Charles S. Scolastico, Deputy County Counsel, 387-5481) on March 19, 2004; Land Use Services Department (Randy Scott, Advance Planning Division Chief, 387-4147) on March 19, 2004; and the County Administrative Office (Daniel R. Kopp, Administrative Analyst, 387-3828) on March 22, 2004.

FINANCIAL IMPACT: The sale of this surplus property will provide revenue to the general fund (AAA FAD) as well as ongoing property tax revenue.

COST REDUCTION REVIEW: The County Administrative Office has reviewed this agenda item, concurs with RESD's proposal, and recommends this action because the property is no longer needed for County use, will generate revenue to the general fund from its sale as well as ongoing property tax revenue.

SUPERVISORIAL DISTRICT: Fifth

PRESENTER: David H. Slaughter, Director, 387-7813

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